

**Newfoundland & Labrador
Legal Aid Commission
Annual Report
2015-16**



Contents

Message from the Chair i

Background and Overview 1

Legal Aid Offices and Staff 2

Mandate 5

Lines of Business 5

Vision Statement 6

Mission Statement 6

Highlights and Accomplishments 7

Report on Performance 9

Issue 1: Modernization of Legal Aid 9

Issue 2: Service Delivery Enhancements 11

Issue 3: Public Information and Awareness Enhancements 13

Opportunities and Challenges Ahead 16

Financial Statements 17

Message from the Chair

As Chair of the Newfoundland and Labrador Legal Aid Commission, I am pleased to present the Legal Aid Commission's Annual Report which outlines the Commission's activities for the fiscal year April 1, 2015 to March 31, 2016. This report was prepared under my direction and in accordance with the provisions of the *Transparency and Accountability Act*. This report includes the audited financial statements of the Legal Aid Commission as prepared by the Auditor General's Office.

The Legal Aid Commission is classified as a Category 3 Government Entity and, as such, must prepare an annual report which presents information on the activities of the entity carried out during the preceding fiscal year in compliance with its mandate.

The Legal Aid Commission operates under the *Legal Aid Act*, which provides for the provision of legal counsel to represent eligible residents of the Province of Newfoundland and Labrador charged with offences under the *Criminal Code* of Canada, other federal and provincial statutes, and people who have family disputes or other civil matters. Legal counsel may be appointed for non-residents either through the Legal Aid Plan of the province in which they reside or our legal aid program. Duty Counsel Services are provided to residents, as well as to visitors to the Province.

The Board of the Legal Aid Commission is accountable for the results reported. I, as the Chair of the Legal Aid Commission, accept accountability on behalf of the entire Board.



Jacqueline Penney
Chair

Background and Overview

The Newfoundland and Labrador Legal Aid Commission (“the Commission”) is a publicly funded, independent organization established in 1976 by the *Legal Aid Act* (the *Act*) to assume responsibility for the Legal Aid Plan. Prior to this, the Legal Aid Plan was administered by a committee of the Law Society of Newfoundland and Labrador.

The services of the Commission are an essential component of a fair and accessible justice system in the Province of Newfoundland and Labrador. The Commission responds to the needs of those whose means or capacity are compromised, as well as the general public in certain instances, by providing high quality, innovative and collaborative legal services through a staff solicitor model.

Eligibility for full service legal aid representation is dependent upon an applicant meeting the financial and legal eligibility requirements specified in the *Act* and the *Legal Aid Regulations* (the *Regulations*). Once an applicant is approved, services are provided by solicitors employed full time with the Commission in approximately 98 per cent of the cases, and by solicitors in private practice in those remaining. Private solicitors are paid on a fee-for-service basis in accordance with the tariff (hours and rates) found in the *Regulations*.

The Commission also delivers services, without the need for financial eligibility, through staff solicitors, including:

- Duty counsel on criminal law matters before the provincial and youth courts;
- Duty counsel on family law matters in the Supreme Court of Newfoundland and Labrador-Family Division in St. John’s; and
- Brydges counsel, whereby a solicitor can be reached at a 1-800 number, 24 hours a day, seven days a week, to provide advice to people upon arrest, detention or being questioned by a peace officer.

The Commission consists of a Board of Commissioners. The Deputy Minister of Justice and Public Safety and the Provincial Director of Legal Aid, or their designate, serve as ex-officio members of the Board. Reflecting changes in the *Act* in the 2015-16 fiscal year, the Lieutenant Governor in Council appoints seven commissioners, three of whom are appointed from a list of nominees by the Law Society. The Lieutenant Governor in Council designates one of the Commission members as Chair. Appointed Commission members as of March 31, 2016 were:

Jacqueline Penney, Chair
Donna Strong
Rodney Zdebiak
John Jenniex
Allison Hagerty

Ex-officio members:

Todd Stanley, Assistant Deputy Minister, Designate
Nicholas Summers, Provincial Director

Legal Aid Offices and Staff

During fiscal year 2015-16, the Legal Aid Commission employed a Provincial Director, two Deputy Provincial Directors – one for Corporate and one for Legal Services, two senior solicitors, 60 staff solicitors, three social workers, eight paralegals, four client services officers, 53 support staff, 10 articling students, one counsellor and four community workers. These positions were dispersed throughout a provincial head office, 11 area offices and six project offices.

In addition to operating 11 area offices, the Legal Aid Commission also has a number of special purpose offices and specialized roles. They are:

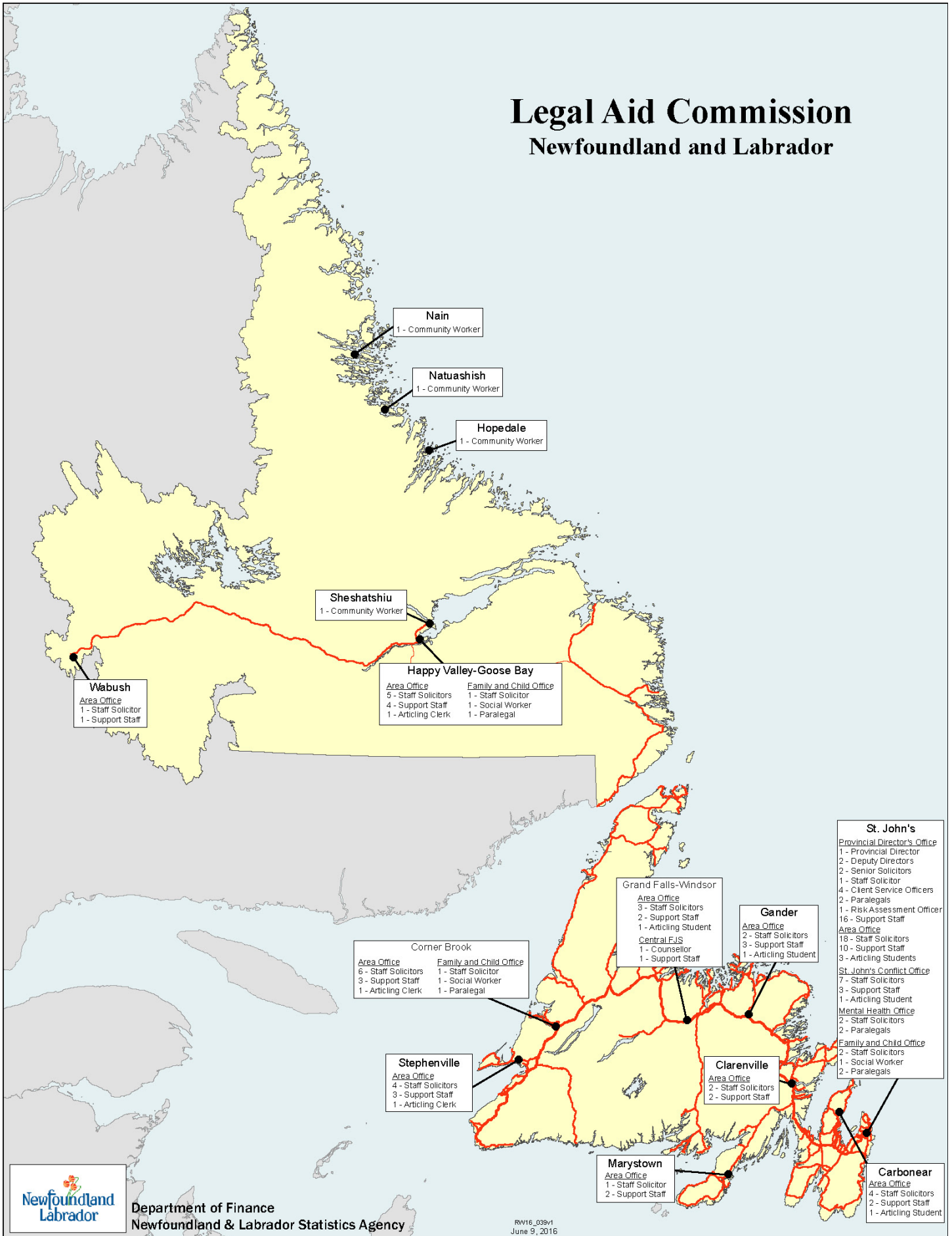
Special Purpose Offices

- The **Mental Health Office** works collaboratively with Eastern Health to assist clients with mental illness obtain legal representation in the Mental Health Court, before the Criminal Code Mental Disorder Review Board, before the Mental Health Care and Treatment Review Board, as well as in the traditional court system. The Commission and Eastern Health take a multidisciplinary approach to client service in resolving legal and related issues which allows for the delivery of timely, comprehensive and holistic services to individuals who struggle with mental illness. By providing legal assistance through this office, clients with mental health issues, who often face significant barriers to justice, have access to the civil rights to which they are entitled.
- The **Family and Child Offices** are located in St. John's, Happy Valley-Goose Bay, and Corner Brook. Its role is to assist parents of children taken into care by the Department of Child, Youth and Family Services (CYFS), to respond to the concerns of CYFS, to assist parents in accessing the supports they need, and to work towards the re-unification of the family where possible. Each office has a combination of lawyers, social workers, and paralegals. Acceptance of a matter involving CFYS has been changed in fiscal year 2015-16 to require clients to be financially eligible for Legal Aid, subject to exceptions in emergency situations wherein a provisional certificate can be issued to address the emergency in question.
- The **Family Duty Counsel Office** is located in St. John's at the Family Division of the Supreme Court of Newfoundland & Labrador. This is a no-charge service for people who need assistance with family law matters. If someone is not represented by a lawyer, Duty Counsel can provide advice and speak on their behalf in straight-forward and uncontested court matters.

Specialized Roles

- The Legal Aid Commission supports the Family Violence Intervention Court through dedicated positions. This specialized court began operations in September 2015 and has a location in St. John's and a pilot satellite location in Stephenville. This court aims to better serve victims of domestic and intimate partner violence by enhancing victim safety and offender accountability. A **Risk Assessment Officer**, based in the Commission's Provincial Director's Office, assesses persons whose cases are being considered for inclusion in the Family Violence Intervention Court. **Staff solicitors** from the St. John's and Elizabeth Avenue offices handle the provision of advice and representation to accused persons.
- The Institutional Client Service Officer's role is to coordinate and facilitate communication with persons incarcerated in the provincial or federal prison systems or held in an institution, who are interested in applying for Legal Aid or following up on their matter.
- The Aboriginal Project involves working with Aboriginal communities to improve access to justice and the quality of legal services to Aboriginal people. The Legal Aid Commission supports the province's Aboriginal community with three part-time and one full-time Community Liaison Worker in the towns of Nain, Hopedale, Natuashish, Sheshatshiu and Happy Valley-Goose Bay.
- The French Speaking Project has five staff solicitors fluent in French who can provide legal advice by telephone, in person and, when necessary, to conduct trials in French.

Legal Aid Commission Newfoundland and Labrador



Department of Finance
Newfoundland & Labrador Statistics Agency

RW16_039V1
June 9, 2016

Mandate

The mandate of the Commission is contained in Part V of the *Act* entitled “The Legal Aid Plan.” The *Act* states: “The Commission may, upon receipt of an application, and where the applicant is found eligible, provide legal aid in criminal and civil matters without charge to an individual who is unable to pay and with partial charge to an individual who is able to pay a portion thereof.” Coverage is identified under Part VI of the *Act*. In criminal law, legal aid is provided for indictable offences and for summary conviction offences when certain conditions are met. In family cases and limited civil matters, legal aid is provided when there is case merit. The Commission assists people with their legal issues and facilitates access to justice.

Lines of Business

Eligibility for legal aid is dependent upon an applicant meeting the financial and case eligibility requirements specified in the *Act* and Regulations. Once an applicant is approved, services are provided by staff solicitors or, in approximately two percent of the cases, by lawyers in private practice. Private Counsel are paid on a fee-for-service basis in accordance with the tariff (hours and rates) found in the Regulations.

For residents of Newfoundland and Labrador who meet financial and case eligibility criteria, and for non-residents charged with a criminal offence or who qualify under the legal aid plan of the province or territory in which they reside, the following services are provided:

- Representation in criminal, family and civil cases;
- Representation in appeals before the Courts; and
- Representation before administrative tribunals in areas such as: immigration and refugee claims; Canada Pension; employment insurance; and social assistance.

For all residents of Newfoundland and Labrador, and visitors to the province, the following services are provided:

- Duty counsel to accused persons appearing in provincial and youth courts and to unrepresented litigants in the Family Division-Trial Division-Supreme Court in St. John’s; and
- Brydges Duty Counsel, a 24 hours telephone service to people arrested or detained by a peace officer.

There are additional services that are not subject to financial criteria:

- Persons with mental health issues eligible under the Mental Health Project;
- Duty Counsel Project in Supreme Court, Family Division St. John’s and
- Family Violence Intervention Court, St. John’s and Stephenville.

Vision Statement

A province where all people, regardless of means, capacity or social situation, have access to the knowledge and services they require to protect their basic legal rights and quality of life through collaborative, holistic and long-term solutions to their legal issues.

Mission Statement

The mission statement identifies the primary focus of the Commission over two planning cycles (2011-14 and 2014-17). It represents the key long-term results that it will be working toward. The statement also identifies the measures and indicators that will assist both the Commission and the public in monitoring and evaluating success.

During the first planning cycle of the current Mission Statement, the Commission focused on service enhancements such as family duty counsel services, use of paralegals, improved human resource management and new technologies.

During the 2014-17 planning cycle, the Commission will focus on implementing modern technologies, updating policies and procedures, assessing opportunities to improve service delivery and enhancing engagement with community partners.

Mission Statement:

By March 31, 2017 the Legal Aid Commission will have enhanced its ability to offer the highest quality legal services.

Measure: Ability to offer the highest quality legal services enhanced

Indicators:

- Innovative processes implemented;
- Service quality enhanced; and
- Implementation of technological advancements, as appropriate.

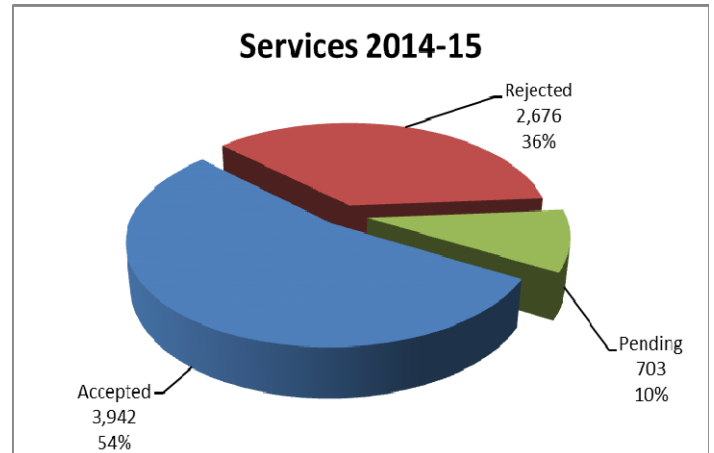
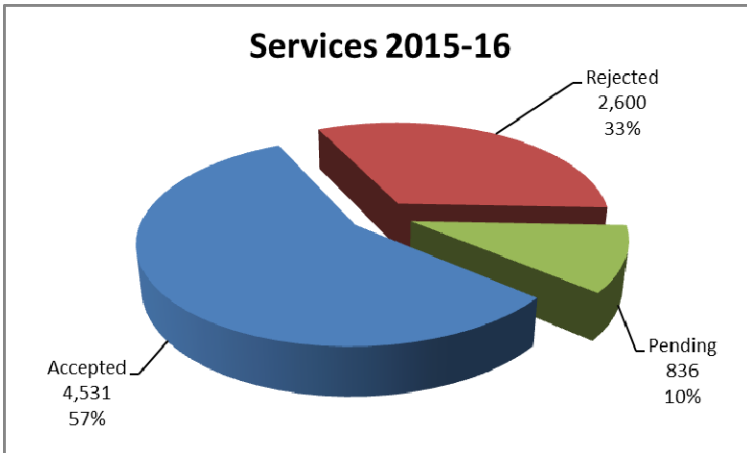
Highlights and Accomplishments

Variance in Year to Year Statistics

The following charts and tables show an increase in the number of files handled by the Commission in the 2015-16 year as compared to the 2014-15 year.

Disposition of Services			
	2015-16	2014-15	Change
Accepted Applications	4,531	3,942	+15%
Rejected Applications	2,600	2,676	-3%
Pending Applications *	836	703	+19%
Total	7,967	7,321	+9%

** Pending Applications are ones which have not yet been approved as additional information is required from the applicant before a decision can be made as to an applicant's eligibility for Legal Aid.*



Full Service Legal Representation

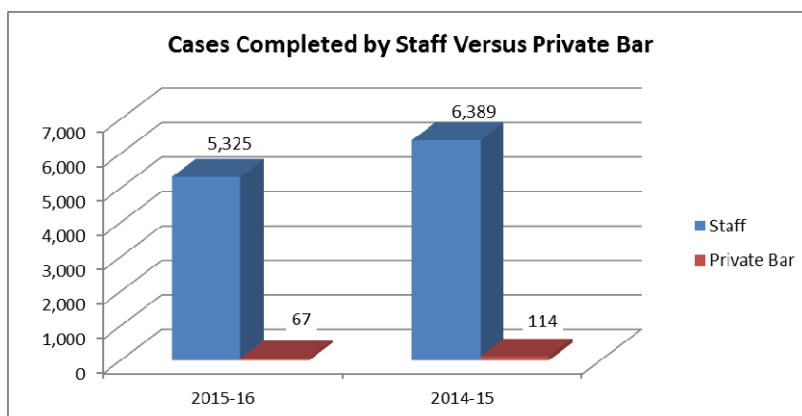
During the fiscal year ending March 31, 2016, the Commission received 7,967 applications for full service legal representation, representing a nine percent increase over the previous year. Of those received, 4,531 were approved for full service legal representation, 188 or four percent more than the previous year. Applications were rejected because they did not meet one or both of the financial or legal eligibility criteria.

Full Service Legal Representation						
Law Type	2015-16		2014-15		% Change - Applications Received	% Change - Applications Approved
	Applications Received	Applications Approved	Applications Received	Applications Approved		
Criminal	4,057	2,696	3,674	2,496	10%	8%
Youth	450	373	401	300	12%	24%
Civil/Family	3,436	1,457	3,222	1,528	7%	-5%
Immigration	24	5	24	19	0%	-74%
Total	7,967	4,531	7,321	4,343	9%	4%

Cases Completed

Staff lawyers completed and closed 5,325 cases in fiscal 2015-16 while 67 cases were completed by the private bar, amounting to 5,392 cases total closed during the fiscal year. In comparison to 2014-15, staff lawyers completed 6,389 and 114 were completed by private bar amounting to 6,503 cases in total. This represents a 16 per cent decrease of the total number of completed cases by staff lawyers and a 72 per cent decrease in the number of files completed by the private bar, compared with 2014-15. The decrease in private bar cases completed is due to a number of factors, including fewer certificates being issued to the private bar in response to the an external review of Legal Aid completed in 2014 by John F. Roil, QC.

Changes were made to the Act in June 2015 to allow more files to stay within the Commission's offices. Secondly, the Commission was more proactive in following up with private bar to submit final invoices and close out reports on a timely basis. Given that this was the first year of implementation to the changes in legislation, these numbers are expected to be more consistent and level out over time as the full effect of legislative changes, staffing levels and process changes take effect.



Duty Counsel Services

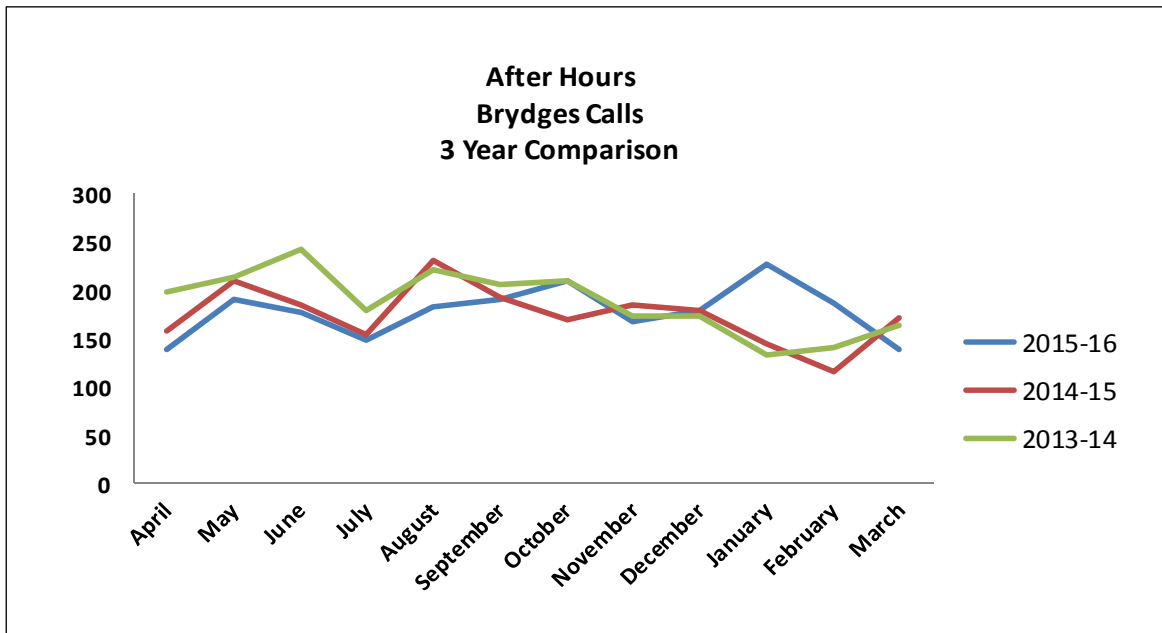
Duty Counsel in Provincial Court is a no-charge service provided to people on their first appearance before a Provincial or Youth Court Judge. Duty Counsel has assisted 9,929 adults and 724 youth in Provincial Court during fiscal 2015-16. This is a decrease of one per cent over the number of adults assisted in 2014-15, and an increase of 22 per cent in the number of youth assisted.

Law Type	2015-16	2014-15	Change
Criminal	9,929	10,067	-1%
Family	806	536	50%
Youth	724	589	23%
Total	11,459	11,192	2%

Duty Counsel at the Family Division of the Supreme Court of Newfoundland and Labrador in St. John's can appear before the Judge on behalf of individuals for straightforward matters and also explain their legal rights and obligations. The Duty Counsel services at the Family Division also have a Client Services Officer who can provide basic information and assistance in applying for legal aid or in completing some court documents. The Client Services Officer assisted 894 people in 2015-16. Of these, the Duty Counsel solicitors assisted 806 people. There has been an increase of 50 per cent over the number assisted by the Duty Counsel solicitors in 2015-16.

Brydges Counsel Services

Brydges Counsel is an after-hours telephone service that offers free legal advice on a 24-hour basis to individuals under arrest and in custody, or under active investigation by the police and who need immediate advice on their charter rights and criminal law matters. The number of clients assisted by Brydges Counsel in 2015-16 was 2,138 as compared to 2,097 in 2014-15, representing a two percent increase over the prior year.



Report on Performance

The Legal Aid Commission's Activity plan for 2014-17 planning cycle focuses on modernizing the structure of the Legal Aid Commission, further developing the services of the Commission and raising public awareness of the services provided. These strategic issues contribute to the strategic direction of government entitled *Access to Justice*.

Issue 1: Modernization of Legal Aid

The Legal Aid Commission is experiencing a period of change and modernization as a result of changes to the management approach of the organization, and an external review completed in 2014 by John F. Roil, QC. Changes are continuing to be made to adopt more modern approaches to organizational structure, roles, responsibilities, policies and operating practices that support consistent service levels, as well as effective and efficient operations across the province. In addition, the adoption and use of modern technology and enhanced internal communications are all part of the new approach to management at the Commission. The objective identified below outlines the activities the Commission has carried out in 2015-16 to address this issue.

Goal 1: By March 31, 2017, the Legal Aid Commission will have addressed all external review recommendations pertaining to the modernization of the organization.

Measure: All external review recommendations pertaining to the modernization of the organization addressed.

Indicators:

- Organizational structure changes implemented
- Performance management process supported and enhanced
- Board structure and governance reviewed
- Internal communications enhanced
- Modern technology implemented
- Policies and procedures reviewed and updated

Objective 1.2:	By March 31, 2016, the Legal Aid Commission will have implemented further activities toward modernization of the organization.
Measure	
Further activities toward modernization of the organization implemented	
Indicators:	Actual Results
Further technology enhancements utilized	Further technology enhancements were utilized by conducting a pilot project to update the Legal Aid Management Information System (LAMIS) to simplify the data entry process for entering lawyers' time on client files (i.e. adjustments to the number of screens and key strokes needed to record time on a file). This has resulted in a reduction in the amount of time needed to record information in LAMIS and increasing time available to work on clients' legal files.
Review of the Legal Aid Policy Manual continued	The review of the Legal Aid policy manual continued during fiscal 2015-16 and a number of policies were updated and approved by the Board. The Policy Committee meets on a weekly basis to revise, edit or rescind existing policies and to create new policies where the need is identified by management. Prior to approval, policies were posted on the Intranet to obtain feedback from all employees. A template was established by the Policy Committee and new policies were added as approval by the Board was given.
Professional Development opportunities enhanced	Professional development opportunities were enhanced through the establishment of a Continued Legal Education (CLE) Committee and a Human Resources Generalist position in 2015-16. The CLE Committee met regularly to discuss the needs and opportunities for continuing legal education for legal staff at the Commission. The CLE Committee also provided significant input into the Legal Aid conference held in the fall of 2015. This conference received excellent reviews by attendees. Input regarding

	<p>topics for learning are sought through reviews of each individual's Performance Review document where training needs are identified, direct contact with lawyers and ongoing monitoring of issues by the Legal Services Deputy Director. The establishment of the HR Generalist position enabled the Commission to be more proactive in identifying needs and coordinating learning opportunities for all staff. The CLE Committee and the HR Generalist continue to identify opportunities, plan and coordinate online learning sessions for all staff.</p>
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Objective 1.3:	By March 31, 2017, the Legal Aid Commission will have completed all work to address the recommendations of the external review pertaining to modernization of the organization.
Measure	
All work to address recommendations of the external review pertaining to modernization of the organization completed	
Indicators:	
Legal Aid Policy Manual revised	
New policies implemented	
Eligibility guideline (financial and legal merit) reviewed	
Intranet content reviewed	

Issue 2: Service Delivery Enhancements

The Legal Aid Commission is committed to quality service delivery through continuous improvement in its operational processes, continuing education of its employees and efficient use of resources. As a part of this commitment, the Commission is moving toward a more robust quality assurance program regarding legal service delivery which will involve establishing and revising client service standards, evaluating progress, identifying deficiencies and implementing recommendations to effect positive change. The Commission is always seeking ways to better serve its clientele, whether through new offerings or improvements in how things are currently operationalized.

To maintain the delivery of quality service, the Commission reviewed the client intake processes, implemented changes and made plans to update financial eligibility criteria in fiscal year 2016-17. Professional development opportunities continue to play an important part in Legal Aid's administrative processes and will continue with the assistance of the Human Resources department.

The objective identified below outlines the activities the Commission has carried out in 2015-16 to enhance service delivery.

Goal 2: By March 31, 2017, the Legal Aid Commission will have enhanced efficiency and effectiveness in the delivery of legal aid services.

Measure: Efficiency and effectiveness in the delivery of legal aid services enhanced.

Indicators:

- Operational and administrative enhancements achieved
- Options for client feedback assessed
- Professional development needs addressed

Objective 2.2:	By March 31, 2016, the Legal Aid Commission will have initiated implementation of identified service delivery and operational processes.
Measure	
Implementation of identified service delivery and operational processes initiated.	
Indicators:	Actual Results
Intake and appeals review initiated	<p>The intake and appeals review was initiated by conducting a review of local practices and criteria against the practices and criteria of other jurisdictions in Canada.</p> <p>Changes in the approach to appeals has occurred by conducting a more thorough review of appeals submitted, to determine if a file is eligible to be appealed, or if the decision could and should be made at the local office level.</p>
Feasibility of service delivery enhancement recommendations assessed	<p>The feasibility of service delivery enhancement recommendations were assessed. Conference calls were held on a quarterly basis between intake workers and their supervisor to assess recommendations and their feasibility. Examples of implemented enhancements included:</p> <ul style="list-style-type: none"> • an updated checklist for the audit process for intake files in order to ensure quality control; • delivery of refresher education to staff outlining roles and responsibilities in the intake process; • the development of an Area Director manual to outline clear expectations and authority of Area Directors regarding application decisions; and • changes to LAMIS to obtain consent from clients to contact them for feedback on the service they received at Legal Aid. <p>Further assessment of this option and development of a survey will continue into the fiscal year 2016-17.</p>
Professional development opportunities provided	<p>Professional development opportunities were provided during the year, including the opportunity for staff to attend sessions offered through the Law Society, webinars coordinated by the HR Generalist and delivered using Microsoft Lync (referred to as Lync and Learn sessions), use</p>

	of external training providers, as well as at the Legal Aid conference which focused on substantive legal education. The Lync and Learn sessions are available to all employees across the province and are also recorded and posted on the Intranet so they can be viewed by those who are unable to attend. Lync and Learn topics included Family Cost Rules, NL Sexual Crisis and Prevention Centre, Safe Harbour Outreach Project and orientation for Law Clerks.
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Objective 2.3:	By March 31, 2017, the Legal Aid Commission will have continued implementation of identified service delivery and operational processes.
Measure	
Implementation of identified service delivery and operational processes continued.	
Indicators:	
Intake and appeals process review continued	
Feasible service delivery enhancements implemented	
Further professional development opportunities provided	

Issue 3: Public Information and Awareness Enhancements

The Legal Aid Commission recognizes the importance of ensuring the public understands and is aware of the services it provides. It also recognizes, as identified in the external review of the Legal Aid Commission, the need to promote the experience and quality service provided by its lawyers. The Commission will accomplish this by enhancing community outreach, updating informational materials, and making enhancements to its website. The objective identified below outlines the activities the Commission has carried out in 2015-16 to address this issue.

Goal 3: By March 31, 2017, the Legal Aid Commission will have enhanced public information and awareness activities.

Measure: Public information and awareness activities enhanced.

Indicators:

- Community outreach enhanced
- Professional image enhanced
- Public information needs identified
- Information materials updated
- Website enhanced

Objective 3.2:	By March 31, 2016, the Legal Aid Commission will have continued the implementation of activities to enhance public information and awareness.
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Measure	
Implementation of activities to enhance public information and awareness continued	
Indicators:	Actual Results
Survey distributed and results analyzed	<p>An online survey was distributed to clients and the results were analyzed. The purpose was to monitor current service delivery at the Duty Counsel Office located at the Supreme Court-Trial Division-Family Division, and make improvements where necessary. Monthly reviews of the survey results provided the Commission with valuable insight from the client's perspective of the service they received and their understanding of the purpose of the office. This feedback continues to inform the Commission about client's needs, service satisfaction, and lessons learned. The results indicated that over half the respondents were unaware of the service until they arrived at Family Court. As well, it was noted that after availing of the services of the Duty Counsel Office the majority surveyed better understood their rights, were better prepared and felt more confident addressing their legal issues. The Commission plans to expand the use of online client surveys to other areas of Legal Aid to help improve the quality of service delivery.</p>
Relationships with community partners continued	<p>Relationships with community partners continued to develop in 2015-16. Legal Aid staff and management regularly participated with stakeholders regarding various justice related issues, including mental health, child and youth issues, victim services and other community issues that affect the Commission's clients. This included:</p> <ul style="list-style-type: none"> • assisting with the establishment of the 7th Step Society which is a non-profit organization dedicated to assisting offenders reintegrate into the community; • providing information to the Association for New Canadians. • providing input into the development of a pro-bono clinic at the Court of Appeal in collaboration with private bar; and • participating in various Justice stakeholder meetings on ways to improve court administration, access to justice issues, improving legal education of citizens, input into changes to CYFS legislation, amongst others. <p>Legal Aid strives to be a partner with all stakeholders involved in issues affecting the ability of our clients to reach solutions to their legal challenges.</p>
Updated informational pamphlets distributed	Updated informational pamphlets were distributed to project offices, including the Mental Health, Family & Child

	Office, and Family Duty Counsel offices. These pamphlets provide general information about Legal Aid, including locations and contact information. Work continues to redesign the primary Legal Aid Commission pamphlet which will be finalized in 2016-17.
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Objective 3.3:	By March 31, 2017, the Legal Aid Commission will have assessed public information and awareness activities.
Measure	
Public information and awareness activities assessed	
Indicators:	
Survey distributed to clients of Duty Counsel at Family Division-Trial Division of Supreme Court	
Feedback from select justice stakeholders solicited	
Staff feedback solicited	
Form requesting feedback related to online information added to the website	
Feedback from all sources identified above assessed	

Opportunities and Challenges Ahead

The Newfoundland and Labrador Legal Aid Commission continues to work through the challenges identified by the external review that was conducted by John F. Roil, QC and its management. There is a commitment to improving service delivery and demonstrating the values outlined by the Commission while ensuring operations are efficient and effective, especially considering the fiscal challenges the province is currently facing.

During fiscal year 2016-17, in addition to initiatives already mentioned, the Commission will be focused on enhancing its quality assurance process through development of a more robust client file audit process, establishment of a mentoring program, and ongoing professional practice support through targeted continued legal education opportunities and sharing of practice tips and precedents. This will be achieved by restructuring at the Provincial Director's office to establish a primarily non-practicing lawyer position to assist with service delivery evaluation of the Legal Services group.

Enhancing performance management is recognized by the Commission as a way to ensure accountability in all aspects of how the Commission conducts its business, in addition to improving employee engagement. This starts with clarifying expectations, providing constructive feedback in a respectful way, taking employee ideas and concerns into consideration and following up on implementation. This continues to be an area the Commission is developing and has shown improvement over the past two years. Individuals are seeing the positive results of a performance management system.

The Commission also continues to seek opportunities to increase use of technology to improve operational efficiency. This includes assessing ways to integrate systems to improve collection rates of accounts receivable and enhance coordination between the practice management and financial aspects of Legal Aid's operations. Use of travel is also being reviewed to enhance efficiencies while maintaining quality client service delivery.

At the very heart of Legal Aid is the goal of access to justice for all citizens of the province of Newfoundland and Labrador. The Commission will continue to participate and seek out ways to improve access to justice, including partnering with the Court of Appeal to establish a free legal clinic to self-represented litigants, and continuation of the Legal Aid Equity Program that helps people to hire a private lawyer when they have equity, but do not have liquid assets. The Commission recognizes there is more work to be done, and looks forward to the opportunity to collaboratively address the challenges with stakeholders.

**NEWFOUNDLAND AND LABRADOR
LEGAL AID COMMISSION**

FINANCIAL STATEMENTS

MARCH 31, 2016

Management's Report

Management's Responsibility for the Newfoundland and Labrador Legal Aid Commission Financial Statements

The financial statements have been prepared by management in accordance with Canadian public sector accounting standards and the integrity and objectivity of these statements are management's responsibility. Management is also responsible for all of the notes to the financial statements, and for ensuring that this information is consistent, where appropriate, with the information contained in the financial statements.


Management is also responsible for implementing and maintaining a system of internal controls to provide reasonable assurance that transactions are properly authorized, assets are safeguarded and liabilities are recognized.

Management is also responsible for ensuring that transactions comply with relevant policies and authorities and are properly recorded to produce timely and reliable financial information.

The Board is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control and exercises these responsibilities through the Board. The Board reviews internal financial information periodically and external audited financial statements yearly.

The Auditor General conducts an independent audit of the annual financial statements of the Commission in accordance with Canadian generally accepted auditing standards, in order to express an opinion thereon. The Auditor General has full and free access to financial management of the Newfoundland and Labrador Legal Aid Commission.

On behalf of the Newfoundland and Labrador Legal Aid Commission.



Nicholas P. Summers
Provincial Director



**AUDITOR
GENERAL**
of Newfoundland and Labrador

INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
The Newfoundland and Labrador Legal Aid Commission
St. John's, Newfoundland and Labrador

Report on the Financial Statements

I have audited the accompanying financial statements of the Newfoundland and Labrador Legal Aid Commission which comprise the statement of financial position as at March 31, 2016, the statements of operations, change in net debt, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Independent Auditor's Report (cont.)

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Newfoundland and Labrador Legal Aid Commission as at March 31, 2016, and its financial performance and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

A handwritten signature in black ink, appearing to read 'T. Paddon', with a long horizontal line extending to the right.

TERRY PADDON, CPA, CA
Auditor General

September 9, 2016
St. John's, Newfoundland and Labrador

NEWFOUNDLAND AND LABRADOR LEGAL AID COMMISSION

STATEMENT OF FINANCIAL POSITION

As at March 31

2016

2015

FINANCIAL ASSETS

Cash	\$ 2,035,799	\$ 1,603,632
Accounts receivable (Note 3)	611,937	760,268
	<u>2,647,736</u>	<u>2,363,900</u>

LIABILITIES

Accounts payable and accrued liabilities (Note 4)	2,015,730	2,358,383
Employee future benefits (Note 5)	1,572,272	1,656,368
Provision for future services	495,853	578,000
	<u>4,083,855</u>	<u>4,592,751</u>

Net debt (1,436,119) (2,228,851)

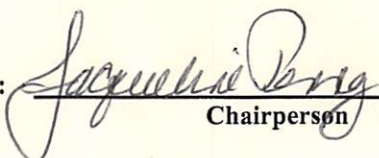
NON-FINANCIAL ASSETS

Prepaid expenses (Note 7)	168,893	180,883
Tangible capital assets (Note 6)	239,428	189,974
	<u>408,321</u>	<u>370,857</u>

Accumulated deficit \$ (1,027,798) \$ (1,857,994)

Contingent liabilities (Note 8)
Contractual obligations (Note 9)
Trusts under administration (Note 10)

The accompanying notes are an integral part of these financial statements.

Signed on behalf of the Board: 
Chairperson


Member

NEWFOUNDLAND AND LABRADOR LEGAL AID COMMISSION

STATEMENT OF OPERATIONS

For the Year Ended March 31

	2016 Budget	2016 Actual	2015 Actual
(Note 16)			
REVENUES			
Province of Newfoundland and Labrador Operating grants	\$ 17,169,770	\$ 17,169,700	\$ 15,594,370
Law Foundation of Newfoundland and Labrador grant	300,000	204,269	331,526
Legal services	150,000	279,233	361,726
Interest	20,000	39,716	24,727
	17,639,770	17,692,918	16,312,349
EXPENSES (Note 11)			
Administration	7,239,961	6,997,202	6,892,153
Criminal law	6,090,056	5,626,551	5,042,979
Youth law	343,292	332,473	292,681
Civil law	3,970,893	3,906,496	3,401,650
	17,644,202	16,862,722	15,629,463
Annual (deficit) surplus	(4,432)	830,196	682,886
Accumulated deficit, beginning of year	(1,857,994)	(1,857,994)	(2,540,880)
Accumulated deficit, end of year	\$ (1,862,426)	\$ (1,027,798)	\$ (1,857,994)

*The accompanying notes are an
integral part of these financial statements.*

NEWFOUNDLAND AND LABRADOR LEGAL AID COMMISSION
STATEMENT OF CHANGE IN NET DEBT

For the Year Ended March 31

	2016 Budget	2016 Actual	2015 Actual
	(Note 16)		
<u>Annual (deficit) surplus</u>	\$ (4,432)	\$ 830,196	\$ 682,886
Tangible capital assets			
Acquisition of tangible capital assets	-	(141,055)	(60,398)
Amortization of tangible capital assets	-	91,601	102,542
	-	(49,454)	42,144
Prepaid expenses			
Acquisition of prepaid expenses	-	(168,893)	(180,883)
Use of prepaid expenses	-	180,883	113,131
	-	11,990	(67,752)
Decrease (increase) in net debt	(4,432)	792,732	657,278
<u>Net debt, beginning of year</u>	(2,228,851)	(2,228,851)	(2,886,129)
<u>Net debt, end of year</u>	\$ (2,233,283)	\$ (1,436,119)	\$ (2,228,851)

The accompanying notes are an integral part of these financial statements.

NEWFOUNDLAND AND LABRADOR LEGAL AID COMMISSION

STATEMENT OF CASH FLOWS

For the Year Ended March 31

2016

2015

Operating transactions

Annual surplus	\$ 830,196	\$ 682,886
Adjustment for non-cash items		
Amortization	91,601	102,542
Bad debt expense	54,956	110,916
	976,753	896,344
Change in non-cash operating items		
Accounts receivable	93,375	449,492
Accounts payable and accrued liabilities	(342,653)	(246,951)
Employee future benefits	(84,096)	(79,671)
Provision for future services	(82,147)	(400,308)
Prepaid expenses	11,990	(67,752)
Cash provided from operating transactions	573,222	551,154
Capital transactions		
Purchase of tangible capital assets	(141,055)	(60,398)
Cash applied to capital transactions	(141,055)	(60,398)
Net increase in cash	432,167	490,756
Cash, beginning of year	1,603,632	1,112,876
Cash, end of year	\$ 2,035,799	\$ 1,603,632

The accompanying notes are an integral part of these financial statements.

NEWFOUNDLAND AND LABRADOR LEGAL AID COMMISSION

NOTES TO FINANCIAL STATEMENTS

March 31, 2016

1. Nature of operations

The Newfoundland and Labrador Legal Aid Commission (the Commission) operates under the authority of the *Legal Aid Act*. The purpose of the Commission is to establish and administer a plan for the provision of legal aid for the residents of the Province of Newfoundland and Labrador.

The affairs of the Commission are managed by a Board of Commissioners consisting of the Assistant Deputy Minister of Justice and Public Safety (ex-officio), the Provincial Director of the Commission (ex-officio) and five members appointed by the Lieutenant-Governor in Council.

The Commission is a Crown entity of the Province of Newfoundland and Labrador and as such is not subject to Provincial or Federal income taxes.

2. Summary of significant accounting policies

(a) Basis of accounting

The Commission is classified as an Other Government Organization as defined by Canadian Public Sector Accounting Standards (CPSAS). These financial statements are prepared by management in accordance with CPSAS for provincial reporting entities established by the Canadian Public Sector Accounting Board. The Commission does not prepare a statement of remeasurement gains and losses as the Commission does not enter into relevant transactions or circumstances that are being addressed by this statement. Outlined below are the significant accounting policies followed.

(b) Financial instruments

The Commission's financial instruments recognized in the statement of financial position consist of cash, accounts receivable, and accounts payable and accrued liabilities. The Commission generally recognizes a financial instrument when it enters into a contract which creates a financial asset or financial liability. Financial assets and financial liabilities are initially measured at cost, which is the fair value at the time of acquisition.

The Commission subsequently measures all of its financial assets and financial liabilities at cost or amortized cost. Financial assets measured at cost include cash. Financial assets measured at amortized cost include accounts receivable. Financial liabilities measured at cost include accounts payable and accrued liabilities.

The carrying value of cash, accounts receivable, and accounts payable and accrued liabilities approximate fair value due to their nature and/or the short term maturity associated with these instruments.

Interest attributable to financial instruments is reported in the statement of operations.

2. Summary of significant accounting policies (cont.)

(c) Cash

Cash includes cash in bank.

(d) Employee future benefits

Employee future benefits include severance pay and accumulating, non-vesting sick leave benefits.

- (i) Severance is accounted for on an accrual basis, based upon years of service and current salary levels.
- (ii) The cost of accumulating, non-vesting sick leave benefits is calculated based upon management's best estimate of its employees' sick leave utilization rates, sick leave balances, annual sick leave entitlements and current salary levels. Under the former annual leave policy, all employees hired before September 30, 1994, were credited with 2 days sick leave per month. After this date, the Commission moved to the new paid leave policy which did not include a sick leave entitlement. Accumulated benefits under the former policy may be used in future years and, if not used, the benefits cease upon termination of employment.

Under the *Legal Aid Act*, Commission employees shall be considered to be employed in the public service for the purpose of the *Public Service Pensions Act, 1991*. Employee contributions are matched by the Commission and then remitted to the Public Service Pension Plan Corporation from which pensions will be paid to employees when they retire. This plan is a multi-employer, defined benefit plan, providing a pension on retirement based on the member's age at retirement, length of service and the average of their best six years of earnings for service on or after January 1, 2015, and, for service before January 1, 2015, the higher of the average of the frozen best 5 years of earnings up to January 1, 2015, or the average of the best 6 years of earnings for all service.

The contributions from the Commission to the plan are recorded as an expense for the year.

(e) Provision for future services

Provision for future services represents amounts relating to contracts for legal services which have been entered into with clients for which the legal services have yet to be completed. The provision for future services will be recognized in the period during which the legal services have been completed.

NEWFOUNDLAND AND LABRADOR LEGAL AID COMMISSION

NOTES TO FINANCIAL STATEMENTS

March 31, 2016

2. Summary of significant accounting policies (cont.)

(f) Tangible capital assets

Tangible capital assets are recorded at cost at the time of acquisition.

The cost, less residual value, of the tangible capital assets is amortized on a straight-line basis over their estimated useful lives as follows:

Office furniture and equipment	5 years
Software development	5 years
Computer equipment	5 years
Leasehold improvements	Remaining life of the rental agreement

Tangible capital assets are written down when conditions indicate that they no longer contribute to the ability of the Commission to provide services, or when the value of future economic benefits associated with the tangible capital assets are less than their net book value. The net write-downs are accounted for as expenses in the statement of operations.

(g) Prepaid expenses

Prepaid expenses are charged to expense over the periods expected to benefit from it.

(h) Revenues

Revenues are recognized in the period in which the transactions or events occurred that give rise to the revenues. All revenues are recorded on an accrual basis, except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable.

Government transfers (Province of Newfoundland and Labrador operating grants) are recognized as revenues when the transfer is authorized and any eligibility criteria are met, except when and to the extent that transfer stipulations give rise to an obligation that meets the definition of a liability. Transfers are recognized as deferred revenue when transfer stipulations give rise to a liability. Transfer revenue is recognized in the statement of operations as the stipulations related to the liabilities are settled.

Interest revenue is recognized as earned.

(i) Expenses

Expenses are reported on an accrual basis. The cost of all goods consumed and services received during the year are recorded as an expense in that year.

NEWFOUNDLAND AND LABRADOR LEGAL AID COMMISSION
NOTES TO FINANCIAL STATEMENTS
March 31, 2016

2. Summary of significant accounting policies (cont.)

(j) Measurement uncertainty

The preparation of financial statements in conformity with CPSAS requires management to make estimates and assumptions that affect the reporting amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the financial statements and the reported amounts of the revenues and expenses during the period. Items requiring the use of significant estimates include the collectability of accounts receivable, expected useful life of tangible capital assets, and estimated employee future benefits.

Estimates are based on the best information available at the time of preparation of the financial statements and are reviewed annually to reflect new information as it becomes available. Measurement uncertainty exists in these financial statements. Actual results could differ from these estimates.

3. Accounts receivable

	<u>2016</u>	<u>2015</u>
Trade	\$ 1,014,707	\$ 1,107,615
Harmonized Sales Tax	43,257	43,724
	<u>1,057,964</u>	<u>1,151,339</u>
Less: Allowance for doubtful accounts	(446,027)	(391,071)
	<u>\$ 611,937</u>	<u>\$ 760,268</u>

4. Accounts payable and accrued liabilities

	<u>2016</u>	<u>2015</u>
Trade and other	\$ 675,037	\$ 1,005,638
Salaries and benefits	1,340,693	1,352,745
	<u>\$ 2,015,730</u>	<u>\$ 2,358,383</u>

NEWFOUNDLAND AND LABRADOR LEGAL AID COMMISSION
NOTES TO FINANCIAL STATEMENTS
March 31, 2016

5. Employee future benefits

Employee future benefits consist of:

	<u>2016</u>	<u>2015</u>
Severance pay (a)	\$ 1,485,002	\$ 1,569,723
Accumulating, non-vesting sick leave benefit liability (b)	87,270	86,645
	<u>\$ 1,572,272</u>	<u>\$ 1,656,368</u>

(a) Severance pay

Severance pay consists of the liability related to the following employees:

	<u>2016</u>	<u>2015</u>
Employees with 9 or more years of service	\$ 1,132,772	\$ 1,279,963
Employees with less than 9 years of service	352,230	289,760
	<u>\$ 1,485,002</u>	<u>\$ 1,569,723</u>

(b) Accumulating, non-vesting sick leave benefit liability

	<u>2016</u>	<u>2015</u>
Accumulating, non-vesting sick leave benefit liability	\$ 87,270	\$ 86,645

(c) Employee future benefits (recovery) expense

Portion of salaries and benefits expense (recovery) related to employee future benefits:

	<u>2016</u>	<u>2015</u>
Severance pay (recovery) expense	\$ (84,721)	\$ (59,357)
Accumulating non-vesting sick leave benefit expense (recovery)	625	(20,314)
	<u>\$ (84,096)</u>	<u>\$ (79,671)</u>

5. Employee future benefits (cont.)

(d) Employee future benefits

(i) Severance pay

Severance is accounted for on an accrual basis and is calculated based upon years of service and current salary levels. The right to be paid severance vests with employees with nine years of continuous service, and accordingly a liability has been recorded by the Commission for these employees. For employees with less than nine years of continuous service, the Commission has made a provision in the accounts for the payment of severance which is based upon the Commission's best estimate of the probability of having to pay severance to the employees and current salary levels. Severance is payable when the employee ceases employment with the Commission provided no severance has been paid by Government or another Crown corporation or agency for the same period and the employee has at least nine years of continuous service. The Commission does not recognize prior service with the public service for the purpose of calculating severance entitlement.

(ii) Accumulating, non-vesting sick leave benefits

All employees hired before September 30, 1994, were credited with 2 sick days per month for use as paid absences during the year due to illness. Subsequent to September 30, 1994, the Commission moved to the new paid leave policy which did not include a sick leave entitlement. Sick leave benefits accumulated prior to September 30, 1994, may be used in future years and, if not used, the benefits cease upon termination of employment. For the year ended March 31, 2016, a sick leave liability was calculated for 16 employees.

(iii) Pension contributions

Under the *Legal Aid Act*, the Commission's employees are subject to the *Public Service Pensions Act, 1991*. The plan is administered by the Public Service Pension Plan Corporation, including payment of pension benefits to employees to whom the *Act* applies. The Public Service Pension Plan is a multi-employer, defined benefit plan.

The plan provides a pension to employees based on their age at retirement, length of service and rates of pay. The maximum contribution rate for eligible employees was 11.85% (2015 - 11.85%). The Commission's contributions equal the employee contributions to the plan. Total pension expense for the Commission for the year ended March 31, 2016 was \$700,254 (2015 - \$774,073).

NEWFOUNDLAND AND LABRADOR LEGAL AID COMMISSION
NOTES TO FINANCIAL STATEMENTS
March 31, 2016

6. Tangible capital assets

Original Cost

	Balance March 31, 2015	Additions	Disposals	Balance March 31, 2016
Office furniture and equipment	\$ 1,168,184	\$ 63,140	\$ -	\$ 1,231,324
Computer equipment	675,698	75,309	-	751,007
Software development	186,950	558	-	187,508
Leasehold improvements	82,138	2,048	-	84,186
	\$ 2,112,970	\$ 141,055	\$ -	\$ 2,254,025

Accumulated Amortization

	Balance March 31, 2015	Amortization	Disposals	Balance March 31, 2016	Net book value March 31, 2016	Net book value March 31, 2015
Office furniture and equipment	\$ 1,051,082	\$ 54,349	\$ -	\$ 1,105,431	\$ 125,893	\$ 117,102
Computer equipment	614,265	31,079	-	645,344	105,663	61,433
Software development	185,870	309	-	186,179	1,329	1,080
Leasehold improvements	71,779	5,864	-	77,643	6,543	10,359
	\$ 1,922,996	\$ 91,601	\$ -	\$ 2,014,597	\$ 239,428	\$ 189,974

NEWFOUNDLAND AND LABRADOR LEGAL AID COMMISSION
NOTES TO FINANCIAL STATEMENTS
March 31, 2016

7. Prepaid expenses

	<u>2016</u>	<u>2015</u>
Bar fees and insurance	\$ 96,546	\$ 92,596
Computer support	2,558	-
Library fees	13,127	11,097
Prepaid human resources expenses	23,114	40,158
Prepaid travel	8,917	12,257
Workplace Health, Safety and Compensation Commission	24,631	24,775
	<hr/> \$ 168,893	<hr/> \$ 180,883

8. Contingent liabilities

- (a) Statements of Claim have been served on the Commission by two former employees for alleged wrongful dismissal. The Commission, through legal counsel, has filed a defense to each claim. The potential settlement amount for the cases has not been disclosed as it may have an adverse effect on the outcome of the claim.
- (b) A Statement of Claim has been served on the Commission, as represented by the Department of Transportation and Works, by a company in connection with a tender for office space. The Commission, through legal counsel, has filed a defence. The potential settlement amount has not been disclosed as it may have an adverse effect on the outcome of the claim.
- (c) A Statement of Claim has been served on the Commission by a former client for alleged professional negligence in representation pertaining to the division of matrimonial property. The Commission, through legal counsel, has filed a defence. The value of the claim is unknown due to the nature of the damages sought.
- (d) The Commission has instituted a new program, the Equity Program, which assists persons who have significant equity in matrimonial property but no liquid assets, to retain private counsel. This is done by offering private counsel a guarantee to cover up to \$5,000 of the counsel's fees and disbursements if they accept the person as a client without a retainer. Any funds disbursed by the Commission are to be recovered from funds generated by the eventual settlement of matrimonial property issues. Some losses to the Commission are anticipated but in the first year of operation all disbursements made have been recovered. There are currently sixteen cases in the Equity Program and therefore a potential liability of \$80,000 if all cases required a disbursement of the full \$5,000 and none of those funds were recovered.

NEWFOUNDLAND AND LABRADOR LEGAL AID COMMISSION
NOTES TO FINANCIAL STATEMENTS
March 31, 2016

9. Contractual obligations

The Commission has entered into agreements requiring lease payments for office and equipment rental as follows:

2017	\$ 1,399,887
2018	1,039,973
2019	772,246
2020	765,714
2021	<u>377,769</u>
	<u>\$ 4,355,589</u>

10. Trusts under administration

Assets held in trust of \$385,195 (2015 - \$667,627) include amounts received by the Commission for legal services which have yet to be completed. When a contract for legal services is entered into with a client, provision may be made in the contract for periodic payments to be made to the Commission while the legal services are being provided. Once the legal services have been completed, any payments received at that time will be combined with the general funds of the Commission. Any payments received under these contracts subsequent to the completion of legal services will be recorded with the general funds of the Commission immediately. Assets held in trust also include amounts received by the Commission, such as settlements, which will be disbursed once the related services have been completed.

11. Expenses by object

	2016 <u>Budget</u> (Note 16)	2016 <u>Actual</u>	2015 <u>Actual</u>
Amortization	\$ 102,541	\$ 91,601	\$ 102,542
Bad debt expense	-	54,956	110,916
Bar fees and insurance	148,530	150,133	157,140
Commissioners' fees and expenses	60,030	57,647	43,742
Conference and education	183,200	143,877	204,694
Family Justice Services			
Central Project (Note 12)	-	136,019	126,870
Legal fees and disbursements	1,614,800	1,124,919	1,118,995
Library fees	30,000	29,432	25,636
Miscellaneous	6,000	4,581	85,665
Office and equipment rental	1,571,537	1,546,915	1,502,064
Office expense	363,480	355,417	324,208
Salaries and benefits	13,285,284	12,908,884	11,641,157
Telephone and light	124,800	129,527	119,619
Travel	154,000	128,814	66,215
	<u>\$ 17,644,202</u>	<u>\$ 16,862,722</u>	<u>\$ 15,629,463</u>

NEWFOUNDLAND AND LABRADOR LEGAL AID COMMISSION

NOTES TO FINANCIAL STATEMENTS

March 31, 2016

12. Family Justice Services Central Project

On March 31, 2004, an Agreement was signed between the Government of Canada and the Province to provide funding to the Province for a Family Justice Services Central Project. The Agreement, which expired on March 31, 2007, covered a portion of the costs of a project designed to provide enhanced access to family law justice services in Central Newfoundland. During the year ended March 31, 2016, the Commission funded this project through its operating grant from the Province. Actual expenditures paid by the Commission for the project were as follows:

	2016 <u>Budget</u> (Note 16)	2016 <u>Actual</u>	2015 <u>Actual</u>
Bar fees	\$ -	\$ 1,433	\$ 1,438
Office expense	-	-	84
Salaries and benefits	-	134,586	124,361
Travel	-	-	987
	\$ -	\$ 136,019	\$ 126,870

13. Related party transactions

Province of Newfoundland and Labrador:

During the year, the Commission received \$17,169,700 (2015 - \$15,594,370) from the Province in Operating grant revenue.

The Office of the Chief Information Officer (OCIO), an entity within the Executive Council of the Province, provides Information Technology (IT) support services to the Commission. These IT costs are reflected in these financial statements in the amount of \$110,119 (2015 - \$103,934).

The Province provides the Commission with the use of office space for the Family Justice Services Central Project (see Note 12) at no cost.

14. Financial risk management

The Commission recognizes the importance of managing risks and this includes policies, procedures and oversight designed to reduce risks identified to an appropriate threshold. The risks that the Commission is exposed to through its financial instruments are credit risk, liquidity risk and market risk.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Commission's main credit risk relates to cash and accounts receivable. The Commission's maximum exposure to credit risk is the carrying amounts of these financial instruments. The Commission is not exposed to significant credit risk with its cash because this financial instrument is held with a Chartered Bank.

The Commission is exposed to significant credit risk related to its accounts receivable relating to amounts owed from clients. Legal aid clients enter into a payment program based on a contract for the provision of legal services, and the accounts receivable balance is comprised primarily of small amounts held by a large client base. Any estimated impairment of these accounts receivable has been provided for through a provision for doubtful accounts as disclosed in Note 3.

There have been no significant changes from the previous year in the exposure to credit risk or policies, procedures and methods used to manage credit risk.

Liquidity risk

Liquidity risk is the risk that the Commission will be unable to meet its contractual obligations and financial liabilities. The Commission's exposure to liquidity risk relates mainly to its accounts payable and accrued liabilities, and its contractual obligations. The Commission manages liquidity risk by monitoring its cash flows and ensuring that it has sufficient resources available to meet its contractual obligations and financial liabilities. The future minimum payments required from the Commission in relation to its contractual obligations are outlined in Note 9.

There have been no significant changes from the previous year in the exposure to liquidity risk or policies, procedures and methods used to manage liquidity risk.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency (foreign exchange) risk, interest rate risk and other price risk. The Commission is not exposed to significant foreign exchange risk or other price risk. The Commission is not exposed to significant interest rate risk related to cash because of its nature.

There have been no significant changes from the previous year in the exposure to market risk or policies, procedures and methods used to manage market risk.

NEWFOUNDLAND AND LABRADOR LEGAL AID COMMISSION

NOTES TO FINANCIAL STATEMENTS

March 31, 2016

15. Non-financial assets

The recognition and measurement of non-financial assets is based on their service potential. These assets will not provide resources to discharge liabilities of the Commission. For non-financial assets, the future economic benefit consists of their capacity to render service to further the Commission's objectives.

16. Budget

Budgeted figures, which have been prepared on a cash basis, are provided for comparison purposes and have been approved by the Commission's Board.